



6450-01-P

**DEPARTMENT OF ENERGY**

**Western Area Power Administration**

**Boulder Canyon Project-Rate Order No. WAPA-171**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of Extension of Existing Rate-setting Formula and Approval of Fiscal Year (FY) 2016 Base Charge and Rates.

**SUMMARY:** This action extends the existing Boulder Canyon Project (BCP) rate-setting formula through September 30, 2020, and approves the base charge and rates for FY 2016. The existing Electric Service Rate Schedule, BCP-F8, is set to expire on September 30, 2015. The Electric Service Rate Schedule contains a rate-setting formula that is recalculated annually based on updated financial and sales data.

**DATES:** The first day of the first full billing period beginning on or after October 1, 2015, and extending through September 30, 2020, or until superseded by another rate schedule, whichever occurs earlier.

**FOR FURTHER INFORMATION CONTACT:** Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2453, e-mail [moulton@wapa.gov](mailto:moulton@wapa.gov), or Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, e-mail [jmurray@wapa.gov](mailto:jmurray@wapa.gov).

**SUPPLEMENTARY INFORMATION:** The existing Rate Schedule BCP-F8 under Rate Order No. WAPA-150<sup>1</sup> was approved for a five-year period beginning on October 1, 2010, and ending September 30, 2015.

Western proposed extending the existing rate-setting formula pursuant to 10 CFR part 903.23(a), Formula Rate Schedule BCP-F9 under Rate Order No. WAPA-171. The notice of proposed extension was published in the *Federal Register* on February 9, 2015 (80 FR 6955). As allowed by 10 CFR part 903.23(a), Western held a public information forum and public comment forum. The consultation and comment period ended May 11, 2015. All comments received during the comment period were considered in the development of the final rates.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of Western Area Power Administration (Western); (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC).

Following review of Western's proposal within the Department of Energy, I hereby approve Rate Order No. WAPA-171, which extends the existing rate-setting formula through September 30, 2020, and approves the proposed BCP electric service base charge and rates for

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<sup>1</sup> FERC confirmed and approved Rate Order No. WAPA-150 on December 9, 2010, in Docket No. EF10-7-000, *See* United States Department of Energy, Western Area Power Administration, Boulder Canyon Project, 133 FERC ¶ 62,229 (December 9, 2010).

FY 2016. Rate Order No. WAPA-171 will be submitted to FERC for confirmation and approval on a final basis.

Dated: July 17, 2015

Elizabeth Sherwood-Randall  
Deputy Secretary

**DEPARTMENT OF ENERGY  
DEPUTY SECRETARY**

In the matter of:	)
	)
Western Area Power Administration	)
Rate Extension for the	) Rate Order No. WAPA-171
Boulder Canyon Project	)
Electric Service Formula Rate Schedule	)

**ORDER CONFIRMING AND APPROVING AN EXTENSION  
OF THE BOULDER CANYON PROJECT ELECTRIC SERVICE  
RATE-SETTING FORMULA AND FY 2016 BASE CHARGE AND RATES  
FORMULA RATE SCHEDULE**

These rates were established in accordance with Section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)), and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of Western Area Power Administration (Western); (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). This extension is issued pursuant to the Delegation Order and DOE rate extension procedures at 10 CFR part 903.23(a).

## BACKGROUND

On December 9, 2010, in Docket No. EF10-7-000 at 133 FERC ¶ 62,229, FERC issued an order confirming, approving and placing into effect on a final basis Electric Service Rate Schedule BCP-F8 for the Boulder Canyon Project (BCP). Electric Service Rate Schedule BCP-F8, Rate Order No. WAPA-150, was approved for five years beginning October 1, 2010 through September 30, 2015.

Western followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions set forth in 10 CFR part 903.23(a) in extending the BCP rate-setting formula through September 30, 2020, and setting the new base charge and rates for Fiscal Year (FY) 2016. The steps Western took to involve interested parties in the rate process were:

1. On February 9, 2015, Western published a notice in the *Federal Register* (80 FR 6955) announcing the extension of the rate-setting formula and the proposed base charge and rates for BCP. Publication of this notice initiated the public consultation and comment period, and announced the public information and public comment forums. Western also announced the public forum dates and posted the BCP rate adjustment at <http://www.wapa.gov/dsw/pwrmt/BCP/RateAdjust.htm>.
2. On March 11, 2015, Western hosted an informal customer meeting in Phoenix, Arizona. At this informal meeting, Western explained the rationale for the adjustment in the proposed base charge and rates, and answered questions. Contractors were notified of the informal meeting at the BCP Engineering and Operating Committee meetings in October 2014 and January 2015.
3. On April 1, 2015, Western held a public information forum at the Desert Southwest Regional Office in Phoenix, Arizona. Western provided detailed explanations of the proposed base

charge and rates for BCP, and answered questions. Western provided a copy of the rate presentation, supporting documentation, and informational handouts.

4. On April 29, 2015, Western held a comment forum to give the public an opportunity to comment for the record. Individuals representing multiple entities commented at this forum.
5. Western received two comment letters during the consultation and comment period, which ended May 11, 2015. All comments have been considered in preparing this Rate Order.

Comments:

Written comments were received from the following organizations:  
Metropolitan Water District of Southern California, California  
Irrigation & Electrical Districts Association of Arizona, Arizona

The comments and responses regarding the electric service base charge and rates, paraphrased for brevity when not affecting the meaning of the statement(s), are discussed below. Direct quotes from comment letters are used for clarification, where necessary.

Comment: Commenters expressed concern that many BCP Contractors, who will be new as of October 1, 2017, are not familiar with Western's existing rate-setting formula methodology. Western should consider reaching out to these new Contractors prior to October 1, 2017, and educate them on the methodology or, alternatively, alter the length of this proposed extension period so a new rate period will begin with the FY 2018 rate and base charge adjustment process.

Response: Western has been providing outreach and education opportunities to the new BCP Contractors through the Post-2017 remarketing and new electric service contracts negotiation processes. In addition, under the BCP Implementation Agreement, Western submits BCP rates to the Deputy Secretary of Energy for approval each year and with the proposed extension, the new Contractors will have an opportunity to participate and be educated in the annual rate

process through informal customer meetings, as well as formal public information and comment forums.

Comment: The BCP Contractors have proposed a joint audit paid for by the contractors with funds from prior year carryover. This joint audit would be completed prior to the termination of the Hoover Electric Service Contracts.

Response: Western and Reclamation support the proposal of a joint audit prior to the termination of the existing Hoover Electric Service Contracts. Western and Reclamation also support the Contractors' proposal to fund the audit costs by reducing prior year carryover which effectively increases the FY 2016 base charge.

Comment: Contractors expressed their support for extending the existing rate-setting formula methodology and approval of the base charge and rates for FY 2016.

Response: Western appreciates the contractors expressing its support with the extension of the existing rate-setting formula methodology and calculation of the base charge and rates for FY 2016.

## **DISCUSSION**

On September 30, 2015, the BCP Electric Service Rate Schedule BCP-F8 will expire. This makes it necessary to extend the existing rate-setting formula and approve the FY 2016 Base Charge and Rates. With this approval, the existing rate-setting formula under Rate Schedule BCP-F9 will be extended under Rate Order No. WAPA-171.

The existing electric service rate-setting formula provides adequate revenue to pay all annual costs, including interest expense, and to repay investment within the cost recovery criteria as set forth in DOE Order RA 6120.2. Rate Order No. WAPA-171 extends the existing rate-setting formula through September 30, 2020, thereby continuing to ensure project repayment within the

cost recovery criteria.

The existing base charge for FY 2015 is \$61,008,518, the composite rate is 16.28 mills/kWh, the energy rate is 8.14 mills/kwh, and capacity rate is \$1.61/kW/month.

The BCP increase in the electric service base charge and rates for FY 2016 is driven by three factors: 1) an increase of approximately \$2 million in annual expenses, primarily estimated replacements and visitor center costs, and principal payments for uprating program and capitalized investments from FY 2015 to FY 2016; 2) a \$1.5 million reduction in projected carryover between FY 2015 and FY 2016; and 3) a projected increase of \$750K in other revenues, which acts as an offset to total expenses. The proposed base charge for FY 2016 is \$63,735,856, composite rate is 18.33 mills/kWh, energy rate is 9.17 mills/kWh, and capacity rate is \$1.72/kW/month. While there is an increase between FY 2015 and FY 2016, Western notes the base charge and rates for FY 2015 were artificially reduced due to actions taken by Contractors in FY 2014 and issues faced by Reclamation. During FY 2014, the BCP Contractors refinanced the highest interest rate debt on the visitor facilities and air slots investments, effectively eliminating them as a cost in the power repayment study. This transaction had the effect of increasing carryover by approximately \$5 million at the end of FY 2014, and decreasing the base charge for FY 2015. At the same time, due to budget sequestration issues at the end of FY 2013, expenses at the end of FY 2013 were much lower than expected. The final results, received in mid-FY 2014, also served to increase the amount of carryover available to apply against the base charge and rates for FY 2015.

## **AVAILABILITY OF INFORMATION**

Information about this extension and adjustment of electric service base charge and rates, including power repayment studies, comments, letters, memoranda, and other supporting



material made or kept by Western to develop the provisional base charge and rates, is available for public review in the Desert Southwest Customer Service Regional Office, Western Area Power Administration, 615 South 43 Avenue, Phoenix, Arizona.

Dated: July 17, 2015

Elizabeth Sherwood-Randall  
Deputy Secretary

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**Boulder Canyon Project  
Desert Southwest Customer Service Region**

**SCHEDULE OF RATES FOR ELECTRIC SERVICE**

Effective:

The first day of the first full billing period beginning on or after October 1, 2015, and extending through September 30, 2020, or until superseded by another rate schedule, whichever occurs earlier.

Available:

In the marketing area serviced by the Boulder Canyon Project (BCP).

Applicable:

To power Contractors served by the BCP supplied through one meter, at one point of delivery, unless otherwise provided by contract.

Character and Conditions of Service:

Alternating current at 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Base Charge:

The total charge paid by a Contractor for annual capacity and energy based on the annual revenue requirement. The base charge shall be composed of an energy component and a capacity component:

ENERGY CHARGE: Each Contractor shall be billed monthly an energy charge equal to the rate year energy dollar multiplied by the Contractor's firm energy percentage multiplied by the Contractor's monthly energy ratio as provided by contract.

CAPACITY CHARGE: Each Contractor shall be billed monthly a capacity charge equal to the rate year capacity dollar divided by 12 multiplied by the Contractor's contingent capacity percentage as provided by contract.

Forecast Rates:

ENERGY: Shall be equal to the rate year energy dollar divided by the lesser of the total master schedule energy or 4,501.001 million kWhs. This rate is to be applied for use of excess energy, unauthorized overruns, and water pump energy.

CAPACITY: Shall be equal to the rate year capacity dollar divided by 1,951,000 kWhs, to be applied for use of unauthorized overruns.

Calculated Energy Rate:

Within 90 days after the end of each rate year, a calculated energy rate shall be calculated. If the energy deemed delivered is greater than 4,501.001 million kWhs, then the calculated energy rate shall be applied to each Contractor's energy deemed delivered. A credit or debit shall be established based on the difference between the Contractor's energy dollar and the Contractor's actual energy charge, to be applied the following month or as soon as possible thereafter.

Lower Basin Development Fund Contribution Charge:

The contribution charge is 4.5 mills/kWh for each kWh measured or scheduled to an Arizona purchaser and 2.5 mills/kWh for each kWh measured or scheduled to a California or Nevada purchaser, except for purchased power.

Billing for Unauthorized Overruns:

For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual power obligations, such overrun shall be billed at 10 times the forecast energy rate and forecast capacity rate. The contribution charge shall also be applied to each kWh of overrun.

Adjustments:

None.

## **ORDER**

In view of the foregoing and under the authority delegated to me, I hereby extend from October 1, 2015, through September 30, 2020, the existing BCP rate-setting formula and approve the base charge and rates for FY 2016, on an interim basis for the BCP. Formula Rate Schedule BCP-F9 shall remain in effect on an interim basis, pending FERC confirmation and approval of this extension or substitute rates on a final basis through September 30, 2020.

Dated: July 17, 2015

Elizabeth Sherwood-Randall  
Deputy Secretary

**[FR Doc. 2015-18237 Filed: 7/23/2015 08:45 am; Publication Date: 7/24/2015]**